SaskTel

Financial Statements of

NAVIGATA COMMUNICATIONS INC.
PENSION PLAN

December 31, 2003

104-05128/

ACTUARY'S OPINION

Towers Perrin Inc. was retained by the Navigata Communications Inc. Pension Committee (the "Committee") to perform actuarial valuations of the assets and liabilities of the Navigata Communications Inc. Pension Plan (the "Plan") on an accounting basis as at December 31, 2002. Towers Perrin Inc. was further retained to prepare extrapolations of the valuation results to December 31, 2003 for inclusion in the Financial Statements for the year ended December 31, 2003.

The calculations of the financial position of the Plan on an accounting basis have been made in accordance with Section 3461 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The assumptions used were determined by Navigata Communications Inc. management as their best estimate of long-term expectations, after discussions with Towers Perrin.

For the purposes of determining the financial position of the Plan on a funding basis, the assumptions were determined by Towers Perrin, following discussions with Navigata Communications Inc., as the long-term expectations adjusted to include margins for adverse deviations.

We are not aware of any matters or events expected to occur after the date of this opinion which have not been accounted for and which materially affect the financial position of the Plan. However, emerging experience, differing from the assumptions, will result in gains and losses which will be revealed in future valuations.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. We also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation and extrapolation have been performed in accordance with accepted actuarial practice.

TOWERS PERRIN INC.

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and deficit of Navigata Communications Inc. Pension Plan as at December 31, 2003 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2003 and the changes in net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

March 9, 2004

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

NAVIGATA COMMUNICATIONS INC. PENSION PLAN **STATEMENT 1**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND DEFICIT
AS AT DECEMBER 31, 2003

	2003	2002
	(Thousands of dollars)	
ASSETS		
Cash	$ 431	$ 4
Contributions receivable		
Employer	142	59
Employee	92	55
Investments - balanced pooled fund	9,051	8,163
Total assets	9,716	8,281
LIABILITIES		
Accounts payable	93	43
Termination benefit refunds payable	189	289
Total liabilities	282	332
Net assets available for benefits (Statement 2)	9,434	7,949
Accrued pension benefits (Statement 3)	12,600	11,576
DEFICIT	$ (3,166)	$ (3,627)

Approved by the Pension Committee

Pension Committee Member

(See accompanying notes to the financial statements)

NAVIGATA COMMUNICATIONS INC. PENSION PLAN — STATEMENT 2

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003	2002
	(Thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	$ 7,949	$ 8,006
INCREASE IN ASSETS		
Investment income	326	314
Unrealized gain in market value of investments	929	-
Contributions		
Employer's	1,288	847
Employees' current and back contributions	609	631
Total increase in assets	3,152	1,792
DECREASE IN ASSETS		
Refunds and transfers		
Termination benefit refunds	975	571
Realized loss on sale of investments	289	145
Unrealized loss in market value of investments	-	767
Administration costs (Note 4)	296	260
Benefits paid to pensioners and beneficiaries	107	106
Total decrease in assets	1,667	1,849
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 9,434	$ 7,949

(See accompanying notes to the financial statements)

NAVIGATA COMMUNICATIONS INC. PENSION PLAN **STATEMENT 3**

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003	2002
	(Thousands of dollars)	
ACCRUED PENSION BENEFITS AT BEGINNING OF YEAR	$ 11,576	$ 9,070
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	771	714
Benefits accrued	1,488	1,409
Impact of assumption changes (Note 3)	564	458
Experience loss	-	272
	2,823	2,853
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	1,182	347
Experience gain	617	-
	1,799	347
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 12,600	$ 11,576

(See accompanying notes to the financial statements)

Navigata Communications Inc. Pension Plan
Notes to the Financial Statements
December 31, 2003

1. Description of the Plan

The following description of the Navigata Communications Inc. Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Navigata Communications Inc. Pension Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Navigata Communications Inc. (the Corporation). The Plan is registered under the Pensions Benefits Standards Act of Canada, 1985, registration #56987, and is administered by the Pension Committee appointed by the Board of Directors of the Corporation.

(b) Investments

The investment manager used by the Plan has been engaged to invest Plan assets based on investment policies approved by the Pension Committee. The objective of these investment policies is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio, within the parameters prescribed under The Income Tax Act and the Pensions Benefits Standards Act of Canada, 1985.

Permissible investments include Canadian equities, U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. No other type of investment is permitted without the prior approval of the Pension Committee.

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at December 31, 2002, with extrapolation therefrom conducted to December 31, 2003.

Plan members are required to contribute to the Plan at a rate equal to 4.5% of earnings up to the yearly maximum pensionable earnings and 6% of earnings thereafter until such time that the sum of their credited service and qualifying service equals 35 years.

The financial health of the Plan is guaranteed by the Corporation, which contributes the additional amounts necessary to properly fund the benefits to Plan members. Corporation contributions cannot be less than the members' contributions.

(d) Benefits

Pension benefits vest after two years of qualifying service. The Corporation guarantees the payment of the pension benefits payable under the terms of the Plan as amended from time to time, including:

i) Annual lifetime pension

The Plan provides a full pension at age 65 calculated to be 2.0% times the best average earnings for each year of credited service to a maximum of 35 years, less 0.7% of best average earnings up to the average of yearly maximum pensionable earnings for each year of credited service. If a member retires before age 65, but at or after the age of 55, the member is eligible for a reduced pension.

ii) Survivors' Pensions

If a plan member dies after retiring, the pension paid to the member's surviving spouse depends on the form of pension selected by the member on retirement. Pension standards legislation requires that a spouse receive no less than 60% of the member's pension, unless the spouse agrees otherwise. All optional forms of pension are determined on an actuarial equivalent basis to the normal form of pension.

iii) Death Refunds

If a Plan member dies before retirement, the member is eligible for a refund of the greater of 200% of member's contributions with interest and the value of the pension payable at 55.

(e) Refunds and Transfers

Upon ceasing employment with the Corporation, prior to the member's benefits vesting, the plan member may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer their contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan. Upon vesting, the member may elect to transfer out the value of the lifetime pension payable at age 55, the value of such benefits will not be less than 150% of the member's accumulated contributions with interest.

(f) Income Taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

2. Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the information of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(b) Investments

Investments are stated at market value. In determining market value, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the market value and carrying value of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as unrealized loss in market values of investments.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at market values determined using closing market prices.

Investment income, which is recorded on the accrual basis, includes interest and dividend income.

3. Accrued Pension Benefits

The present value of accrued pension benefits was determined using the accrued projected benefit method pro rated on services. Actuarial valuations for accounting and funding purposes were performed at December 31, 2002 by Towers Perrin Inc., a firm of consulting actuaries, and extrapolated to December 31, 2003. An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the Plan.

Accrued pension benefits are sensitive to changes in the rate of return on assets, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Committee applies best estimate assumptions on these and other future economic events. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates.

Assumptions for Accounting and Financial Reporting Purposes

Best estimate assumptions, for accounting and financial reporting purposes, are a set of actuarial assumptions each of which reflects management's judgment of the most likely set of conditions affecting future events. Following are the significant best estimate assumptions used to determine the actuarial present value of accrued pension benefits as of December 31, 2002 and 2003 for accounting and financial reporting purposes:

Significant Assumptions	**December 31, 2003 (Extrapolated)**	**December 31, 2002 (Extrapolated)**
Discount rate	6.25% per year	6.50% per year
Investment return	7.00% per year	7.00% per year
Salary increases	4.00% per year	4.00% per year plus merit increases
Inflation	3.00% per year	3.00% per year
Indexation (post-retirement)	2.00% per year	2.00% per year

The mortality rates used were based on the 1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 2014 using Scale AA.

The following illustrates the effect on the Plan deficit of changing certain actuarial assumptions:

Long - Term Assumptions

	Discount Rate		Inflation		Salary Escalation	
	5.25%	7.25%	2.00%	4.00%	3.00%	5.00%
(Thousands of dollars)						
Increase (decrease) in Plan deficit	$2,505	($2,123)	($753)	$178	($1,066)	$1,704

The indexation rate is based directly on the other assumptions including the discount and inflation rates. Accordingly, the impact of changes in the indexation rate is effectively included in the sensitivity analysis on changes in the discount and inflation rates.

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

4. Administration Costs

The Pension Plan Agreement permits the Plan to engage an administrator, professional advisors, specialists and consultants for the purposes of administering the Plan, and managing and investing Plan assets, with the related costs to be paid by the Plan. Other administrative costs include custodial, actuarial, legal and audit and are paid by the Plan. Administrative costs are reflected in the statement of changes in net assets. The service providers to the Plan are as follows:

Towers Perrin

Towers Perrin acts as the Plan actuary and assists the Pension Committee in the administration of the Plan. In assisting with administration, Towers Perrin helps to ensures that contributions and benefit payments are computed and recorded correctly. They assist in maintaining plan members' records and prepare the annual filings to the Office of the Superintendent of Financial Institutions. As Plan Actuary, Towers Perrin prepares the actuarial valuation of the Plan every three years, or as required by applicable pension standards legislation (note 3).

Royal Trust

As the custodian of the pension fund assets, Royal Trust performs the processing and handling of contributions, benefit payments and investment transactions.

Connor, Clark & Lunn Investment Management Ltd.

The investment manager manages the investment and disposition of Plan assets.

5. Fair Value

The carrying value of cash, contributions receivable, accounts payable and termination benefit refunds payable approximate fair value due to their immediate or short-term maturity. The fair value of investments is considered to be market value, the calculation of which is detailed in note 2(b).